



# **Legislative Department Seattle City Council Memorandum**

**Date:** June 12, 2013

**To:** Special Committee on Taxicab, For-Hire and Limousine Regulations

**From:** Ben Noble, Central Staff Director

**Subject:** **Wheelchair Accessible Taxicabs**

Councilmember Licata is considering a proposal that would make number of changes to the City's Wheelchair Accessible Taxicab (WAT) program. Following a brief summary of the WAT program's history and the current regulatory structure, this memorandum describes the proposed changes, the rationale for each and their potential implications. The legislation needed to enact these or other related changes has not been drafted, but can be following the Committee's discussion.

## **Background**

In 2007 and 2008, the City and King County conducted a two-year demonstration with wheelchair accessible taxicabs (WAT). The goals of the project were to:

- Test the economic viability of privately-owned accessible cabs to provide on-demand service at taxi meter rates; and
- Assess the demand for such services and the number of vehicles required to meet this demand.

The pilot proved successful and since 2009, the City and County issued, via lottery, a total of 52 WAT licenses; 45 dual licenses and 7 county-only. Through this lottery, the new licensees were able to obtain a taxicab license without paying the current market value of such a license.

The WAT vehicles serve customers who require special assistance, but also provide more general taxi service as well. In fact, more than 90% of their trips are for customers who not require their vehicles particular features. Per the evaluation conducted after the initial demonstration project, WAT drivers general earn the same revenue as regular taxicab drivers; with the slightly smaller number of trips offset by the fact that average trip length is somewhat longer. The initial vehicle expense is higher (~\$8,000 for a used wheelchair accessible van vs. \$4,000 for a used car), but this is at least partially offset by the program's waiver of the \$1,050 annual license fee required for a dual City/County taxi license.

## **Key Elements of WAT program**

While the WAT drivers and their specialized vehicles serve all customers, the program was established under terms that recognized that service to customers with special needs would require skilled drivers with appropriate training and would impose different costs on vehicle operators. The following table

highlights the special requirements to obtain and maintain a WAT license. Differences between the WAT program and standard taxicab licenses are highlighted in ***bold italics***. In reviewing this comparison it is worth noting that the requirements for all new taxicab licenses were revised in 2008, but since that time *only* additional WAT licenses have been issued.

	<b>Regular License</b>	<b>WAT License</b>
<b>Annual License Fee</b>	\$1,050 for City & County	<b><i>\$0</i></b>
<b><u>Requirements to Qualify for a New Vehicle License:</u></b>		
<b>Experience</b>	5 years within last 10 and 2 years continuous before license application	Same
<b>Moving Violations</b>	Not more than 2 within 5 years and not more than 1 within 2 years	Not more than <b><i>1</i></b> within 5 years and <b><i>0</i></b> within 2 years
<b>Moving Accidents</b>	Not more than 2 within 5 years and not more than 1 within 2 years	Not more than <b><i>1</i></b> within 5 years and <b><i>0</i></b> within 2 years
<b>Rule Violations (as issued by taxicab inspectors)</b>	Not more than 2 within 5 years and not more than 1 within 2 years	Not more than <b><i>1</i></b> within 5 years and <b><i>0</i></b> within 2 years
<b>Verified Customer Complaints</b>	Not more than 2 within 5 years and not more than 1 within 2 years	Not more than <b><i>1</i></b> within 5 years and <b><i>0</i></b> within 2 years
<b><u>Restrictions on Vehicle License Once Issued:</u></b>		
<b>Period before Transfer of a New License is Possible</b>	5 years	Same
<b>Driving Requirement During Period before Transfer</b>	30 hrs per week. 40 weeks per yr.	<b><i>40</i></b> hrs per week. 40 weeks per yr.
<b>Driving Requirement to Hold License after Initial 5 Years (Initial licensee or anyone who purchases license)</b>	None	<b><i>40 hrs per week. 40 weeks per yr.</i></b>
<b><u>Lease Restrictions on Vehicle License:</u></b>		
<b>Requirements for Lease Drivers</b>	Lease drivers must hold valid for-hire driver's license	Same - <b><i>but lease drivers must also have WAT certification and related training</i></b>
<b>Lease Caps</b>	Maximum rate = \$85 per shift	Same

In summary, to qualify for a new WAT license, applicants were required to have the same level of experience, but significantly “cleaner” driving records than would be required for a new standard taxicab license. To “earn” the opportunity to transfer the newly awarded license, all new licensees must personally drive their vehicles for five years, but unlike standard licensees the WAT licensees must drive 40 hours a week, rather than 30 hours per week. When not driving their WAT vehicles, the new licensees can lease them out, but the lease drivers must be properly trained and “WAT certified”.

Perhaps the most significant economic difference between the two types of licenses is that the rules require WAT licensees to personally drive their vehicles 40 hours per week, even after the initial five years (or face license revocation). This implies that the WAT licensee will not have the same opportunity as a standard licensee to become a non-driver owner who simply leases his/her license for profit after five years. In turn, this implies that the WAT licenses will transfer at a lower price than a standard licenses, because the purchaser will himself have the obligation of driving 40 hours per week.

### **Potential Changes**

The modifications that are being considered would address perceived inequities between the standard and WAT licenses by doing the following:

1. Establish the following requirements for *lease* drivers operating WAT vehicles – minimum 1 year of taxi experience, no more than 2 moving violations in the 2 years preceding, no accidents in the 2 years preceding, and must complete the WAT certification program. Currently the City and County have established comparable requirements by rule, but these would be formally codified. Formally establishing these requirements in the Municipal Code could be important in the context of the additional changes described below because each implies increased use of WAT licensed vehicles by drivers operating under lease.
2. For WAT licensees, reduce from five years to four years the period before which a license can be transferred. The basic regulatory reason for the initial period of required driving is to ensure that those who are awarded licenses actually intend to operate as taxicab and not simply as a leasing agent to other drivers. The current five year driving requirement was known when the new WAT licenses were awarded.

The rationale for reducing the length of the driving requirement is that too quality for the new WAT licenses drivers already must have exemplary driving records and are likely among the more experienced drivers in the industry. This change would increase the economic return for the initial WAT licensees as they could transfer their licenses sooner. One might argue that such an incentive is needed to offset lesser net revenue for WAT vehicles; however the pilot assessment demonstrated that the on-going net return for WAT licenses are on par with regular licensees, and the existing fee waiver offsets a significant share of the difference in initial vehicle costs.

3. For the first four years following the issuance of a new WAT license, reduce the licensee's driving requirement from 40 to 30 hours. This would standardize the annual driving requirement for WAT and standard licensees during the initial period of a new license, although the cumulative requirement for WAT drivers would be reduced from four years to five (per #2 above).
4. Eliminate the requirement that WAT licensees continue to operate their vehicles for 40 hours per week after the initial license period. This change would allow WAT drivers to stop driving and to earn revenue by leasing their license to other drivers. In turn, this change would increase the value of the WAT license should the current drivers choose to transfer the license, because it would allow the subsequent license holders to function as pure leasing agent and thus increase the pool of people willing to purchase the license. To date, no WAT licenses have been transferred because the initial five year period still has not yet expired. However, recent transactions of standard dual City/County licenses put the value at more than \$250,000.

While the change would establish consistent practices for WAT and standard taxicab licensees, consistency could also be established by imposing the same driving requirement on all new licenses – standard or WAT. In other words, require all that all newly issued vehicle licenses be operated by the license holder himself, for some number of hours per week. While this would not affect existing taxicab license holders, this alternative would still mark a significant change in current regulatory practice. One can safely predict that this new approach would reduce the value of new licenses once they become eligible for transfer, as only those interested in driving would be in the market to purchase the license. However, it would not preclude licensees from “retiring”, but rather require that they transfer the license to someone who intends to be a driver, rather than just a leasing agent. In turn, this would benefit those potential license purchasers who intend to operate a licensed vehicle directly rather than simply lease it to others.

In general, the complexity and importance of this regulatory element suggest that this issue might be best addressed as part of the larger review of the current regulatory structure that Council is now conducting, rather than as a separate, stand-alone “fix”. That said, if the initial driving requirement is reduced to 30 hours for WAT licenses, it would make sense to reduce the long-term requirement for WAT licenses to the same 30 hours (it is currently 40), just for basic consistency. This adjustment could be made while the broader question of whether any long-term driving requirement should be imposed is under further Council review.